

# SWANAGE TOWN COUNCIL



## Financial Review Year Ended 31<sup>st</sup> March 2015

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## 1. Introduction & Overview

Since 2011 the Town Council's statutory statement of account has been the Annual Return, a format developed for the town and parish council sector and other 'smaller relevant bodies' (SRB) with annual income or expenditure of less than £6.5m. The Annual Return is published each year in line with the Accounts and Audit (England) Regulations 2011.

Given its wide-ranging role as one of the largest Town Councils in England, the Council has agreed that it should produce a separate review of the financial year, to provide a more detailed commentary on the Council's finances for the benefit of Councillors and officers, and to provide transparency for local residents. A financial summary is also included in the Council's Annual Report, delivered to every household.

## 2. Financial Review

### Revenue Account/Service Provision

A summary of the Council's budgeted and actual net expenditure on the Income & Expenditure Account is given below.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>+ve/(-ve)</b>
<b>Net Expenditure :-</b>			<b>£</b>
Car Parks (incl. Co-op Management A/c)	387,475	368,209	(19,266)
Boat Park	29,900	19,768	(10,132)
Public Conveniences	(138,990)	(115,751)	23,239
Cemeteries	(14,670)	8,785	23,455
Parks and Operations (incl. CCTV)	(274,010)	(230,114)	43,896
Beach Gardens	(30,970)	(25,283)	5,687
Beaches & Foreshore	(39,835)	(17,720)	22,115
Beach Chalets/Bungalows	97,225	4,725	(92,500)
Publicity/Tourism	(100,920)	(89,396)	11,524
Allotments	3,315	401	(2,914)
General Buildings & Grounds	82,610	88,067	5,457
Grants & Donations	(13,950)	(12,034)	1,916
Central Administration	(331,105)	(276,122)	54,983
Democratic & Corporate Management	(129,950)	(129,392)	558
Loan Repayments, Interest Payable & Bank Charges	(6,895)	(5,793)	1,102
Net Investment Income	149,000	182,237	33,237
Council Tax Support Grant	39,110	39,110	0
<b>Net Expenditure</b>	<b>(292,660)</b>	<b>(190,303)</b>	<b>102,357</b>
Transfer to Earmarked Reserves	(228,635)	(231,218)	(2,583)
Financing Capital Expenditure	(110,000)	(100,000)	10,000
Precept	643,580	643,580	0
<b>Net Surplus on the General Fund</b>	<b>12,285</b>	<b>122,059</b>	<b>109,774</b>

During 2014/15 the Town Council generated a net operating surplus of £453,277, very similar to that achieved in the previous financial year. That performance was despite the reduction of budgeted income as a result of the seafront stabilisation works. This surplus has enabled a net contribution of £231,218

to be made to earmarked reserves to ensure that funds are available to achieve the aims set out in the Council's Capital Programme and Asset Management Plan. A further £122,059 has been added to the Council's un-earmarked reserves, generating an overall General Fund Balance of £619,813. Whilst this significantly exceeds the risk-assessed minimum requirement for a General Fund Balance of £347,515, it is towards the lower end of the recommendation that councils should carry general revenue reserves of between three and twelve months of gross expenditure, as set out in *The Practitioner's Guide for Town and Parish Councils*. On the basis of budget projections for 2015/16 this would be a sum between £439,000 and £1.76 million.

The Town Council has three principal income streams: the Council Tax Precept, car parking revenue and investment income. During 2014/15 these together generated income of £1.34 million, 66 per cent of the Council's total revenue income of just over £2.02 million.

A total of £643,580 was raised through the parish precept in 2014/15, an increase of 10.4 per cent on 2013/14. The decision to increase the precept was taken to ensure that the Council would continue to receive the level of precept anticipated in its Medium Term Financial Strategy. This was necessary to address the uncertainty over the precept, arising from changes to the calculation of the local tax base (which led to a 4.2% reduction in the precept in 2013/14), and the potential for future de-facto capping through the possible extension of referendum principles by central government. The Council continued to receive a Council Tax Support Grant from Purbeck District Council, but this reduced by 4.7 per cent year-on-year and will be phased out by 2017/18.

The other two principal sources of income showed a divergence in fortunes. Car parking income was almost £20,000 below budget. This was principally due to a decline in income from Broad Road car park, partly as a consequence of its closure in the spring and early summer for the Downs stabilisation works. Overall, the broader performance of the car parking budget will continue to be closely monitored given its limited recovery over the last two years from the reduction of income seen in 2012/13. The success of Swanage Railway as a park and ride option, the introduction of on-street parking on Shore Road and a growth in parking at the Pier in recent years may explain why there are fewer paying visitors to the Town Council's car parks.

By contrast, the Council's investment income exceeded budget expectations by £33,200 and was £10,000 higher year-on-year. This is analysed further below in the Treasury Management section of this review.

The Council's sources of seasonal income saw a mixed performance. By far the greatest variance against budget in 2014/15 was the low level of income received from Beach Hut fees as a result of the seafront stabilisation works continuing throughout the summer and autumn. This meant that an entire year's income was lost from the Shore Road huts, leading to a net outturn £92,500 below budget. Annual income from boat park fees is also estimated to be below budget, by £10,132. This is as a result of its closure for the winter season to facilitate the reconstruction of the RNLI boathouse. The RNLI will provide compensation, but at present this is most likely to be in the form of an in-kind contribution to rebuilding the boat park jetty, rather than a direct payment for loss of revenue. Negotiations are continuing at the present time.

At Beach Gardens income from sporting activities remained relatively stable year-on-year, although both tennis and bowling fees were marginally below budget. In the latter case this was the result of the grant of a reduction in fees following representations from Swanage Bowling Club.

The Tourist Information Centre operated at a significantly smaller than anticipated net loss. A number of budget headings were underspent, most notably employee costs, repairs and maintenance and

materials and equipment purchases. However, all income streams were also down, and the take-up of advertising boards continues to show a steady decline.

The costs of maintaining the beach to blue flag standards were below budget, principally due to reduced expenditure in employee costs for beach cleaning, with seasonal posts not being filled (£15,000). Expenditure on seaweed removal, despite being almost double the costs of the previous financial year still came in under budget. Overall net expenditure for this department was £22,000 under budget for the year and £13,700 less than 2013/14.

In relation to community facilities, expenditure at the cemetery was under budget, due to lower employee costs and the deferral of planning the cemetery extension. Income from cemetery fees was significantly down from the previous year, and marginally below budget. In respect of the allotments, expenditure exceeded the original budget due to urgent road repairs being undertaken.

Spending on public conveniences was also under budget. This was principally in respect of wages, and lower than anticipated spending on repairs and maintenance, including the deferred replacement of hand-driers. Water costs in relation to the new public conveniences on Shore Road will need to be monitored as there has been a significant increase in water usage.

Central services costs were also well below budget. Principal savings/underspends were due to lower than budgeted employee costs that include the deferred recruitment of an administration support officer (£23,000), lower than anticipated insurance costs (£9,000) and a reduction in Health and Safety consultancy fees (£6,500). Income was also higher than expected both from wedding bookings and the first contribution from the Community Infrastructure Levy of £4,500 which has in turn been transferred to an earmarked reserve.

The Parks and Operations budget shows a significant positive variance, of £43,896. Whilst income was significantly lower this was principally due to the deferred receipt of the FJ Grace Will trust funds, and the late completion of the new seafront kiosk. Underspent expenditure, however, exceeded this reduction in income. The greatest contributions to this were as a result of underspends on plants and fertiliser (£6,000), tree works (£4,000), deferral of the repair of underground lighting in the Town Square (£8,000), Depot materials and equipment (£9,000), refuse disposal (£11,000) and Day's Park repairs and maintenance to footpaths and play equipment (£10,000).

Finally, it should be noted that the non-completion or deferral of a number of one-off repair and maintenance items are expected to have an impact on expenditure for 2015/16. Significant underspends in 2014/15 include the repairs to the Station Buildings (£21,000) and Town Hall ceilings (£24,000), internal refurbishment of the Town Hall (£10,000) and repairs to the Gannetts Park/Beach Gardens service road (£9,000). Given that these sums were budgeted for, their non-completion has boosted the Council's general fund at year-end. However, pending Council approval, these sums are likely to be spent during the 2015/16 financial year and as no specific budget provision has been made payment will be accounted for from the general fund.

### **Capital Programme and Planning**

The Town Council adopts an annual capital works programme as part of its budget setting process in January. These works are largely funded from reserves, either those earmarked for a specific project or the Usable Capital Receipts Reserve (UCRR). The Town Council also included £110,000 of capital expenditure to be financed from the general fund in its 2014/15 budget, with £100,000 actually being financed from the General Fund.

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The table below summarises the actual capital expenditure for the 2014/15 financial year and how this was financed.

	Funded from Capital Receipts £	Funded from Earmarked Reserves £	Funded from General Fund £	Total Cost £
<b>Land &amp; Buildings</b>				
North Beach Car Park-Drainage & Resurface	51,457	-	-	51,457
Seafront Stabilisation Scheme incl:	1,360,275	847,000	100,000	2,307,275
<i>Recreation Ground Stabilisation</i>				
<i>Shore Road Public Conveniences</i>				
<i>Beach Huts</i>				
<i>Kiosk</i>				
<i>Broad Road Car Park</i>				
<i>Downs Stabilisation</i>				
Forres Field Changing Rooms (WIP)	950	-	-	950
<b>Vehicles, Plant &amp; Equipment</b>				
Skate Park Equipment	-	15,275	-	15,275
<b>TOTAL</b>	<b>1,412,682</b>	<b>862,275</b>	<b>100,000</b>	<b>2,374,957</b>

The programme for 2014/15 set out seven priority schemes with an additional two schemes being carried over from 2013/14. A further three schemes were added during the course of the year. In total five of these schemes have been deferred to 2015/16, one deferred indefinitely (Purbeck Business Centre Roof) and two removed from the programme (De Moulham Estate back roads and a vehicle purchase) due to revised costings being below the *de minimis* level.

Once again the most significant items of expenditure were the Downs and Seafront stabilisation schemes, continuing on from the commencement of construction in 2013/14. This scheme has incorporated work over several of the Council's assets: enhancing existing assets with the stabilisation of the Recreation Ground and the Downs and the resurfacing/redesign of Broad Road car park and the construction of new assets in a toilet block, a refreshment kiosk and beach huts on Shore Road.

Work on the construction of the scheme initially started in December 2013 and was originally scheduled for completion in June 2014. However, due to complications with the stabilisation resulting in further delays, the scheme was not formally completed until December 2014. There are still, however, issues outstanding and final payments are still to be made. The latest cost report (4) stated a construction scheme cost of £2,850,343. With actual payments of £2,758,000 having been made in 2013/14 and 2014/15, provision of a further cost of £92,343 has been accrued in the accounts. A further £239,762 of professional fees have been paid in total over several financial years. Presently the final costings have not been finalised with further work required for completion by the contract administrator Morgan Cary. As such there will inevitably be further costs incurred in 2015/16 due to the nature of the finalisation of construction costs and professional fees, despite the completion of the scheme.

At a cost of £51,457, the next most significant item of expenditure was the installation of new drainage and resurfacing at North Beach Car Park, which should alleviate the flooding problem that has been seen since the construction of the MCA building at this site.

The purchase and installation of several pieces of skate park equipment was completed, at a cost of £15,275 in the current year. The total scheme cost was £23,500, with Y-Axis contributing £20,000 over the two years and was financed via earmarked reserves.

The Forres Field Changing Rooms project was added to the capital programme, being brought forward from 2015/16, with preliminary costs having been incurred during the year. This scheme is expected to continue to run over the next two financial years.

An addition to the capital programme in year was the replacement of windows at the Station Building. This scheme was delayed and should be completed early in 2015/16. The other four schemes deferred to the next financial year (Beach Gardens Tennis Court Refurbishment, Stone Quay Phase III, Heritage Toilets entry system and Play Equipment at King George's Field) were carried forward and included in the capital programme for 2015/16.

### **Treasury Management**

The 2014/15 financial year once again brought further stabilisation in terms of treasury management and the Council has continued to contract Arlingclose as its treasury advisors. In terms of treasury management the 2014/15 financial year was relatively quiet, retaining prior year investments and with few new investments/counterparties. This was largely as a result of short term monies financing the capital programme. Low interest rates have continued to prevail in the short term, although there has been some increase.

The predominating factor in treasury management has been the introduction of legislation (EU and UK) which has shifted the preference for unsecured deposits to other more diversified options such as covered bonds and pooled funds. The Council had already in the prior financial year diversified in to these categories of investments and continued to retain these during the course of the year, or re-invested in comparable counterparties. The Council continued to maintain its objective of the security of capital over yield, within the parameters as set out in the Treasury Management Strategy Statement and Annual Investment Strategy 2014/15 and upon advice given by Arlingclose.

The net return on the Council's investments had been estimated at £149,000, with an actual outturn of £182,237 being realised at year end. The Council continued to maintain a diversified investment portfolio throughout the course of the 2014/15 financial year, utilising call accounts with Lloyds Bank, Money Market Funds and corporate bonds. A corporate bond with Volkswagen was purchased in September 2014 upon the maturity of the bond held with Vodafone, with a higher yield at 1.029% against 0.785% for the Vodafone bond.

The Council continued to maintain the units held in the CCLA LAMIT property fund, with a total of £2.5m invested in the fund at 31<sup>st</sup> March 2015. The Council has again seen capital growth, albeit not realised, with a net asset value of £2.9m. In terms of income generation this fund has continued to perform well above estimate, realising an annualised yield of 5.6% based upon its book value, or 4.86% against market value. The last two quarters of the financial year were particularly strong. The revenue received from this investment has once again cushioned the Council against the lower interest rates that are available on its short term investments. The Places For People Bonds (three in total) were also retained during the year, with an average yield of 2.78%.

The Council's Annual Treasury Report 2014/15, which gives a more in depth review, has been published separately. A summary of investments at 31<sup>st</sup> March 2015 can be found on page 14.

### **Earmarked Reserves**

The Council's Earmarked Reserves were established in order to build up funds to meet anticipated future expenditure as identified in the Asset Management Plan and the Council's risk assessment. The Council's Reserves and Balances Policy was reviewed during the course of the year, as part of the process for setting the Council's budgets for the 2014/15 financial year. However, since this review a new reserve has been established, a Community Infrastructure Levy (CIL) Reserve, due to the requirement to hold these funds separately and in order to meet expenditure in accordance with Community Infrastructure Levy Regulations 2010, Regulation 59C.

In 2014/15 a net contribution of £231,218 was made from the general fund to the various earmarked reserves against an original estimate of £228,635. This includes a contribution of £5,900 from Y-Axis, to part-fund the purchase of skate park equipment and a contribution of £3,600 from the Tennis Club, which have been transferred to the relevant reserve. During the course of the year, capital expenditure totalling £862,275 was funded from earmarked reserves, with £125,000 contributing towards the rebuild of Shore Road toilets, £722,000 part financing the seafront stabilisation scheme and £15,275 purchasing skate park equipment. With an opening balance of £1,442,537, a net reduction in the year of £631,057 has resulted in a balance of £811,480 being held at 31<sup>st</sup> March 2015. These reserves have been set aside to fund the Council's future capital programme.

The Council's Usable Capital Receipts Reserve (UCRR) saw a reduction of £1,396,015 in the year. This results from the financing of capital expenditure to the sum of £1,412,682 combined with capital receipts of £16,667 being realised in the year. The capital receipt is the principal repayment on a loan to Swanage Sailing Club. The Council carries forward a balance of £4,012,678 in its UCRR into the next financial year.

A summary of the Council's reserves can be found on pages 11 to 13.

### **3. Accounting Statements**

#### **The Annual Return**

The statutory statement of account is presented as the Annual Return, which has been published separately. The information contained within this report provides supplementary/supporting information to the Annual Return. The Annual Return consists of four Sections:

#### **Section 1 – Accounting Statements**

The accounting statements consist of a summary of the income and expenditure for the year, balances and reserves held by the council at year end, cash balances and short term investments, fixed assets and long term assets and total borrowings. This section standardises the presentation of the accounts into a simple and easily understandable format and must be certified by the Responsible Finance Officer.

#### **Section 2 – Annual Governance Statement**

This consists of nine statements where members give assurance that they have discharged their responsibilities in the proper governance of the body.

#### **Section 3 – External Auditor’s certificate and opinion**

This report is issued by the Council’s external auditor, appointed by the Audit Commission, and summarises the findings from the audit. It contains an opinion on the accounting statements and represents a limited level of assurance.

#### **Section 4 – Annual internal audit report**

This report reviews whether the systems of financial and other controls over the council’s activities and operating procedures are effective.

#### **Accounting Policies**

Section 1 of the Annual Return summarises the Council’s transactions for the 2014/15 financial year and its position at 31<sup>st</sup> March 2015. The statement of account has been prepared following guidance given in Part 3 of *Governance and Accountability for Local Councils: A Practitioners’ Guide 2014 (England)*.

**4. Supplementary Information in Support of the Annual Return**

<b>The Annual Return - Income &amp; Expenditure</b>				
<b>2013/14</b>			<b>2014/15</b>	
£	£		£	£
	5,701,121	<i>Reserves &amp; Balances brought forward - Box 1</i>		4,550,783
		<b>Income</b>		
	582,969	<i>Precept - Box 2</i>		643,580
41,031		Council Tax Support Grant	39,110	
504,354		Rental, Interest & Investment Income	452,221	
634,594		Charges made for Services	601,015	
330,351		Other Income or Contributions	280,119	
26,667		Capital Receipts/Investments/Capital Grants	22,400	
	<u>1,536,997</u>	<i>Total Other Receipts - Box 3</i>		<u>1,394,865</u>
		<b>Expenditure</b>		
		<i>Salaries and Wages</i>		
(467,365)		Direct Service Costs	(440,968)	
(247,009)		Democratic, Management and Civic Costs	(267,714)	
	<u>(714,374)</u>	<i>Total Staff Costs - Box 4</i>		<u>(708,682)</u>
	0	<i>Loan interest/capital repayments - Box 5</i>		0
		<i>Other Costs</i>		
(736,193)		Direct service costs	(685,344)	
(12,980)		Grant and donations	(12,034)	
(174,848)		Democratic, Management and Civic Costs	(156,708)	
(833,708)		Capital Expenditure	(2,374,957)	
(798,201)		Long Term Investments	0	
	<u>(2,555,930)</u>	<i>Total Other Costs - Box 6</i>		<u>(3,229,043)</u>
	<u><u>4,550,783</u></u>	<i>Reserves &amp; Balances carried forward - Box 7</i>		<u><u>2,651,503</u></u>

<b>Bank Reconciliation for year ended 31st March 2015</b>			
	£	£	Note
<b>Bank Accounts</b>			
Current	75,690		
Deposit	3,542		
<i>less</i>			
unpresented cheques	(70,703)		
<i>add</i>			
uncleared payments	1,317		
<i>add</i>			
petty cash	555		
Total Cash and Bank		10,401	
<b>Short Term Investments</b>			
Corporate Bond - Vodafone	1,001,039		
Lloyds Call Account	1,292,373		
MMFs	399,841		
Total Short Term Investments		2,693,253	7
<b>Total Cash and Short Term Investments – Box 8</b>		<b>2,703,654</b>	

### Reconciliation of Cash to Reserves

Under the Annual Return the total cash and short term investments plus debtors, less creditors should equal the total of balances and reserves carried forward.

2013/14 £		Note	2014/15 £
4,411,429	Box 8 - Total cash and short term investments		2,703,654
306,413	(+)Debtors	1	217,873
(167,059)	(-) Creditors	2	(270,024)
4,550,783	(=) Box 7 - Balances carried forward		2,651,503

### Tangible Fixed Assets and Long Term Investments

Tangible fixed assets and long term assets are treated the same under the annual return. When they are purchased the cost is expensed through total other payments (Box 6) and when they are sold the proceeds of the sale are receipted through total other receipts (Box 3). The value of the sum of these assets is shown in Box 9 on the Annual Return.

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	Operational Assets				Non-Operational Assets		Total
	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community	Assets Under Construction	Investment Properties	
	£	£	£	£	£	£	
<b>Tangible Fixed Assets- Cost or Valuation</b>							
As at 1 April 2014	3,924,431	363,752	17,105	36,589	791,055	600,000	5,732,932
Additions/Enhancements	2,358,732	15,275	0	0	950	0	2,374,957
Reclassifications	782,830	8,225	0	0	(791,055)	0	0
Donated Assets	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Additions excl. from AR	(1,569,794)	0	0	0	0	0	(1,569,794)
As at 31 March 2015	5,496,199	387,252	17,105	36,589	950	600,000	6,538,095
<b>Long Term Investments- Cost</b>							
As at 1 April 2014							2,826,395
Additions							0
Redeemed							(23,865)
As at 31 March 2015							2,802,530
<b>Total Fixed Assets and Long Term Assets – Box 9</b>							<b>9,340,625</b>

**Additions/Enhancements excluded from the Annual Return**

In 2014/15 a total of £2,374,957 of capital expenditure was incurred in either acquiring new assets or enhancing old assets (pages 3 to 5 refer). However, under the Annual Return accounting guidelines, the value of a fixed asset must not change from year to year until disposal, therefore for the purposes of the annual return £1,569,794 has been identified as primarily enhancing an already acquired asset and as such must be excluded from the total value of fixed assets and long term assets.

**Schemes Under Construction**

The total asset value at 31<sup>st</sup> March 2015 includes £950 relating to the changing rooms on Forres Field, classified as an Asset Under Construction.

**Long Term Borrowing**

2013/14 £	Analysis of Loans - PWLB	2014/15 £
0	Balance brought forward	0
0	Principal paid in year ( <i>Box 5</i> )	0
0	<b>Total Outstanding – Box 10</b>	0

The Council remained debt free throughout the course of the financial year.

**Notes**

**1. Debtors**

2013/14		2014/15
£	Amounts falling due in one year :-	£
149,234	HMRC-VAT	44,331
158,043	Sundry Debtors	128,185
(17,490)	Provision for Bad/Doubtful Debtors	(17,490)
12,513	Payments in Advance	59,036
4,113	Stock	3,811
<u>306,413</u>	Total	<u>217,873</u>

**2. Creditors**

2013/14		2014/15
£		£
9,257	HMRC-VAT/Interest	9,114
0	HMRC PAYE/NI	0
132,373	Sundry Creditors	177,865
25,429	Receipts in Advance	83,045
<u>167,059</u>		<u>270,024</u>

<b>Movement of Reserves</b>				
	Balance 1 April 2014	Net movement in year	Balance 31 March 2015	Note
	£	£	£	
General Fund	497,754	122,059	619,813	3
Earmarked Reserves	1,442,537	(631,057)	811,480	4
Usable Capital Receipts Reserve	5,408,693	(1,396,015)	4,012,678	5
Total	<u>7,348,984</u>	<u>(1,905,013)</u>	<u>5,443,971</u>	

This table details changes during the year in the Council's reserves. It provides opening and closing balances and details of any movements on the reserve. The total of the reserves held differs from the Annual Return total in Box 7 due to the treatment of the £2.5m investment in the CCLA LAMIT Property Fund and the Places For People Bonds (£292,468) that are held by the Council. Under the Annual Return when any Long Term Investments are entered into they are shown to be expensed through Box 6 thus reducing the total in Box 7. However, under statute this investment is not classified

as capital expenditure and is merely a movement of cash from a short term investment to a long term investment and as such has not been shown as being expensed from a reserve.

### 3. The General Fund

2013/14		2014/15
£		£
410,000	General Fund Balance brought forward	497,754
454,904	Net Surplus or (Deficit) for Year	453,277
(15,659)	Financing Capital Expenditure	(100,000)
( 351,491)	Transfers (to)/from Earmarked Reserves	(231,218)
<u>497,754</u>	General Fund Balance carried forward	<u>619,813</u>

The general fund balance is the Council's "working balance" and states the cumulative surplus (or deficit) on the Council's income and expenditure account. The Council has seen an increase of £122,059 on the general fund in the year, comprising of a net operating surplus of £453,277 for the year, the financing of capital expenditure of £100,000 and a net transfer from the general fund to earmarked reserves of £231,218.

### 4. Earmarked Reserves

These reserves represent amounts that have been set aside in order to build up funds to meet future anticipated liabilities or to fund specific projects. Movements to/from the reserves have been made in line with the Council's Reserves & Balances Policy.

Earmarked Reserves	Balance 01-Apr-14 £	Contributions to Reserve £	Transfer (from) Reserve £	Balance 31-Mar-15 £
Festive Lights	10,047	6,449	0	16,496
Vehicle & Plant Replacement	45,945	6,130	0	52,075
King Georges Play Area & Skate Park	49,875	#16,900	(15,275)	51,500
Play Equipment-General Areas	60,000	15,000	0	75,000
Car Park Machines	40,000	10,000	0	50,000
Tennis Courts Refurbishment	24,805	*5,682	0	30,487
Repairs & Renewals Fund	928,950	140,835	(722,000)	347,785
Public Conveniences	210,000	20,000	(125,000)	105,000
King George's Changing Facilities	6,958	0	0	6,958
De Moulham Back Roads	27,957	0	(2,295)	25,662
Community Infrastructure Levy	0	4,517	0	4,517
Insurance & Contingency Reserve	35,000	5,000	0	40,000
IT Equipment	3,000	3,000	0	6,000
<b>Total</b>	<b>1,442,537</b>	<b>233,513</b>	<b>(864,570)</b>	<b>811,480</b>

\* Includes a contribution of £3,600 from the Tennis Club

# Includes a contribution of £5,900 from Y-Axis

## 5. Usable Capital Receipts Reserve

2013/14 £		2014/15 £
6,168,795	Balance brought forward	5,408,693
26,667	Capital receipts	16,667
	Less:	
(786,769)	Capital receipts used for financing Assets	(1,412,682)
<u>5,408,693</u>	Balance carried forward	<u>4,012,678</u>

The UCRR holds the proceeds of the sale of fixed assets and can only be used in accordance with regulations. Swanage Sailing Club repaid a total of £16,667 of the principal outstanding on a loan granted in 2011/12. The Council also utilised £1,412,682 in the course of the year to finance capital expenditure. Over the course of the year the Council saw a decrease in this reserve of £1,396,015.

## 6. Trust Funds – Box 11

The Council acts as Corporate Trustee for three Charitable Trusts. The Income & Expenditure for the year to 31<sup>st</sup> March 2015 for these trusts is:

	Income £	Expenditure £	Net Gain/(Loss) £
De Moulham Trust <i>Established in 1990 as a gift of land and holding of Trust land covenants</i>	5,297	97,470	(92,173)
James Day Trust (Day's Park) <i>Gift of pleasure grounds</i>	163	0	163
King George's Field <i>Deed of dedication entered into 5<sup>th</sup> May 1951</i>	0	0	0

### Charitable Funds held by Trusts:

	Balance 1 April 2014 £	Net Contributions to/(from) Fund £	Balance 31 March 2015 £
De Moulham Trust	112,801	(92,173)	20,628
James Day Trust	757	163	920

## 7. Investments

The Council's investments are disclosed in the annual return at historic cost. All investments have been made in line with the Council's Annual Investment Strategy.

Counterparty	Principal	Maturity Date	Rate
Corporate Bond - Volkswagen	£1,001,039	20/08/2015	1.029%
Ignis Money Market Fund	£10,000	n/a	v
Federated Liquidity Fund	£339,841	n/a	v
CCLA-Public Sector Deposit Fund	£50,000	n/a	v
Lloyds Call Account	£1,292,373	n/a	1.10%
<b>Total Short Term Investments–(incl. in Box 8)</b>	<b>£2,693,253</b>		
CCLA-LAMIT Property Fund	£2,500,000	n/a	v
Swanage Sailing Club Loan	£10,000	24/07/2016	5.78%
Consolidated Stock	£62	n/a	2.50%
Corporate Bond - Places For People (3 bonds)	£292,468	27/12/2016	av 2.78%
<b>Total Long Term Investments–(incl. in Box 9)</b>	<b>£2,802,530</b>		
<b>Total Investments held @ 31<sup>st</sup> March 2015</b>	<b>£5,495,783</b>		

The Council held five short term investments with Lloyds Bank, the CCLA Public Sector Deposit Fund (a qualifying MMF), Ignis Money Market Fund, Federated Liquidity Fund and a corporate bond (Volkswagen) at 31<sup>st</sup> March 2015. The investments held with Lloyds and Volkswagen have a guaranteed rate of return and the MMFs have a variable rate of return. All of the short term investments return the capital sum invested plus interest.

The Council continued to maintain its units held in the CCLA LAMIT property fund, valued at £2.5m in the Annual Return. This investment has seen capital growth during the year, with a market value of £2.9m at 31<sup>st</sup> March 2015. Three bonds held with Places For People were also maintained with a principal investment of £292,468. These bonds are set to mature in December 2016. Swanage Sailing Club made an additional principal repayment of £10,000 as well as the agreed instalments of principal, leaving a balance of £10,000 of the loan remaining outstanding at 31<sup>st</sup> March 2015 and a revised maturity date of 24/07/2016. One investment with HM Treasury, in consolidated stock, totalling £62 is also held. During the course of the year HM Treasury announced the redemption of old stocks at par and therefore on 9<sup>th</sup> March 2015, the Council's War Stock holdings of £1,466 were redeemed.

## 8. Pensions

Swanage Town Council participates in the Local Government Pension Scheme (LGPS), which underwent some fundamental changes for employees & employers effective from 1<sup>st</sup> April 2014. The LGPS is classified as a 'defined benefits pension scheme' i.e. the cost of the scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within the Income & Expenditure account. The fund is administered by the Dorset County Council Pension Fund in which Swanage Town Council is pooled as a 'small scheduled body'. Pooling gives the Council less volatility of contribution rate than what it may see if it were treated on an individual basis. This fund provides members with benefits based on pay and service.

## FINANCIAL REVIEW 2014/15

Following an Actuarial Valuation by the schemes fund actuary, Barnett Waddingham, the employer's contribution was revised. Previously the Council has only contributed a percentage of employees' pensionable pay. However for the next three financial years, 2014/15 to 2016/17, the Actuary assessed a Future Service Rate for each employer as a percentage of payroll, plus a deficit recovery rate, as a cash amount, which (as elected by Swanage Town Council) could be paid in a lump sum payment at a discounted amount.

As a result, in 2014/15 the Council paid an employer's contribution of £82,344 representing 16.5% of employees' pensionable pay into the Dorset County Council superannuation fund (£95,329 or 19.5% in 2013/14). In addition to the percentage of employees' pensionable pay, the Council has also made a lump sum payment of £69,800 as a Pension Deficit Contribution, of which £23,267 is attributable to 2014/15.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded to former employees who have retired early, together with the related increases. In 2014/15 these amounted to £2,520 (£2,521 in 2013/14), representing 0.51% of pensionable pay.

### 9. Grants & Donations

The following grants and donations were issued in 2014/15.

	£
<b><i>Section 19- Misc. Provisions Act</i></b>	
S.Town & Herston Football Club (Vodafone)	3,950
New Year's Eve Road Closure	700
<b><i>Section 137</i></b>	
2185 Air Training Corp	400
Swanage Pier Trust	2,000
Bovington Youth Centre - Outreach Vehicle	1,300
Dorset County Council - Coastal Change Forum	200
Blues Roots-Donation-Blues Festival	600
DCC - School Crossing Patrol	2,384
<b><i>Section 144</i></b>	
Swanage Regatta & Carnival Committee Fireworks	500
<b>Total</b>	<b><u>12,034</u></b>

### 10. Audit Fees

BDO LLP has been appointed as the Council's external auditors.

2013/14		2014/15
£		£
2,800	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	2,800
0	Adjustment on previous years audit fees	0
<u>2,800</u>		<u>2,800</u>

## **11. Items for Consideration**

Any events after the year end, 31st March 2015, have been considered up to the date of the Annual Return, 27<sup>th</sup> May 2015. The following items have been considered in the preparation of the Annual Return however no financial adjustments have been made within the statement of accounts due to the uncertainty of the outcome of the matters.

### **Indemnities in Business Sale Agreement for Swanage Bay View Holiday Park**

The business sale agreement between the Council and Kleinwort Benson (Guernsey) Limited contained indemnities protecting the buyer from any loss suffered as a result of any action or omission by the Council in respect of future pitch fee increases. The maximum exposure is £600,000 in the first year which decreases by £150,000 in year 2 and then £100,000 each year until 14th October 2014, after which date no additional sum can be claimed. A further £50,000 indemnity was entered into in respect of costs and expenses incurred in disputes with an Owners' Association. 'Without prejudice' discussions have taken place between the parties during the financial year, but at the current time the Council's position remains unchanged.

### **VAT on Car Parking Income**

The Council first lodged a claim for VAT in respect of Car Parking income in 2002. Since this time the Council has either submitted a Voluntary Disclosure of Errors on VAT returns or has appealed a Notice of Assessment for the payment of VAT relating to Off Street Car Parking. The total VAT under dispute for the period to 31st March 2015 was £1,710,915. The Council continues to appeal all Assessments received from HMRC. All appeals made to a Tribunal will be stood over until such a time as the Isle of Wight case is finalised.